



BCE Inc. vs. Telus Corporation: Which Is the Best Income Investment?

Description

Both **BCE Inc.** ([TSX: BCE](#)) ([NYSE: BCE](#)) and **Telus Corporation** ([TSX: T](#)) ([NYSE: TU](#)) provide investors with solid dividend growth. Let's take a look at the two companies and see if one is a better choice right now.

BCE Inc.

Canada's largest communications company is a very different business today than it was 20 years ago. The old telephone utility has transformed itself into a diversified telecoms and media giant.

BCE has decided that owning the content is just as important as owning the distribution assets. In the past few years the company has purchased sports franchises, television networks, radio stations, and even a chain of electronics stores.

You can buy a device at one of Bell's retail outlets, subscribe to content via its wireless, wireline or satellite division, watch its news programs, and listen to its radio stations. The vertically integrated model is designed to squeeze every dollar possible out of the multi-platform distribution of content.

The beast continues to grow. In 2013, BCE bought Astral Media for \$3.4 billion. The deal instantly gave BCE a strong position in Quebec's lucrative pay TV market. Recently, BCE decided to spend \$3.95 billion to take its Bell Aliant subsidiary private.

These two deals are great news for income investors. The Astral assets are already adding significant cash flow, and the fat dividend that Bell Aliant paid its shareholders will now be available to BCE's investors.

BCE's Q2 2014 earnings were up 6.1%. The blended average revenue per unit (ARPU) rose by 4.6% to \$59.49.

BCE pays of \$2.48 per share that yields 5%. Investors should look for consistent increases to the payout as the media division continues to grow. BCE trades at 18 times earnings.

Telus Corporation

Telus has decided to focus on being Canada's best wireless and wireline service provider, rather than betting big on content assets. The strategy is working well.

As Canada's fastest-growing telecom company, Telus continues to see growth in both its wireline and wireless divisions. The success of Telus TV is at the expense of cable operators.

The wireless division is also doing well. The company's industry-leading ARPU of \$62.51 has increased year-over-year for 15 straight quarters. Part of the reason for the strong revenue growth is Telus' loyal customer base. The mobile market is very competitive. Telus reported a Q2 churn rate in its postpaid subscribers of just 0.9%.

Happy customers apparently spend more.

The other asset investors should watch is Telus Health. The division takes advantage of Telus' state-of-the-art communications network to help doctors and their patients share vital medical information over the Internet using a reliable and secure platform. The company is already a leader in the industry and revenues are growing quickly.

Telus pays a dividend of \$1.52 that yields about 3.8%. The company has said it will increase the dividend by at least 10% per year through 2016. Telus trades at just under 18 times earnings.

Which should you buy?

Both BCE and Telus are excellent options for dividend investors. The two stocks currently trade at about the same multiple. BCE's media division is definitely growing but there are a lot of moving parts that need to work well together to maximize revenue.

Telus is the best in the industry at keeping its customers happy and getting them to spend more. The potential for Telus Health to add significant cash flow in the coming years tips the scale in this comparison. Dividend growth will continue at both companies, but right now, I think Telus is the better bet.

CATEGORY

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